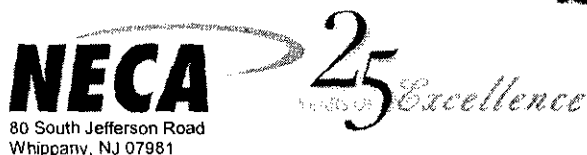


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May 1, 2008

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A235
Washington, DC 20554

FILED/ACCEPTED

MAY - 1 2008

Federal Communications Commission
Office of the Secretary

RE: TRS Fund Administration
CG Docket No. 03-123

Dear Ms. Dortch:

In accordance with 47 C.F.R. § 64.604 (c)(5)(iii)(H), enclosed are the original and four (4) copies of the National Exchange Carrier Association, Inc.'s Annual Submission of TRS Payment and Revenue Requirements, for July 2008 – June 2009.

Acknowledgment and date of receipt of this letter is requested. A duplicate copy has been provided for that purpose.

Sincerely,

Enclosures

cc: Cathy Seidel, Consumer and Government Affairs Bureau
Nicole McGinnis, Consumer and Government Affairs Bureau
Thomas Chandler, Consumer and Government Affairs Bureau
Diane Mason, Consumer and Government Affairs Bureau
Lisa Boehley, Consumer and Government Affairs Bureau
Andrew Multz, Consumer and Government Affairs Bureau
James Lande, Wireline Competition Bureau
Mark Stevens, Office of the Managing Director
Michael Smith, Office of the Managing Director
Best Copy and Printing, Inc.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served this 1st day of May, 2008, by mailing copies thereof by United States Mail, first class postage paid, by express mail, or by hand delivery, to the persons listed below.



Jill Cardoso

The following parties were served:

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FILED/ACCEPTED
MAY - 1 2008
Federal Communications Commission
Office of the Secretary

In the Matter of:

Telecommunications Services for
Individuals with Hearing and
Speech Disabilities, and the
Americans with Disabilities Act
of 1990

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CC Docket 03-123

Interstate Telecommunications Relay Services Fund

Payment Formula and Fund Size Estimate

National Exchange
Carrier Association, Inc.
80 South Jefferson Road
Whippany, NJ 07981
May 1, 2008

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of:)	
)	
Telecommunications Services for)	
Individuals with Hearing and)	CC Docket 03-123
Speech Disabilities, and the)	
Americans with Disabilities Act)	
of 1990)	

**Payment Formula and Fund Size Estimate
Interstate Telecommunications Relay Services (TRS) Fund
For July 2008 through June 2009**

I. Introduction

The National Exchange Carrier Association, Inc. (NECA), as Interstate Telecommunications Relay Services (TRS) Fund Administrator (the Administrator), herein submits proposed compensation rates, demand projections, projected fund size and proposed carrier contribution factor for the period July 2008 through June 2009, in accordance with section 64.604 of the Federal Communications Commission's (FCC or Commission) rules.¹

The proposed compensation rates and fund size estimate described herein are based on the rate methodologies adopted by the Commission in its October 26, 2007 Cost

¹ 47 C.F.R. §64.604 (c)(5)(iii)(H).

Recovery Order² The proposed per minute compensation levels, coupled with the demand projections for each service result in an overall fund requirement of \$805.5 million for 2008-2009. The proposed contribution factor for 2008-2009 fund year is 0.01012, based on dividing the \$805.5 million fund revenue requirement by calendar year 2007 interstate and international revenues of \$79.6 billion. Pending approval by the Commission, the Administrator will begin billing carriers and disbursing funds to relay service providers for the 2008 – 2009 funding period in July 2008.

II. Interstate TRS Fund Overview

The Interstate TRS Fund (TRS Fund) is designed to compensate eligible relay service providers³ for the reasonable costs of furnishing

telephone transmission services that provide the ability for an individual who has a hearing or speech disability to engage in communications by wire or radio with a hearing individual in a manner that is functionally equivalent to the ability of an individual who does not have a hearing or speech disability to communicate using voice communications services by wire or radio.⁴

Services that are currently compensated from the TRS Fund include interstate traditional TRS, interstate captioned telephone service (CTS), interstate speech-to-speech (STS), and both intrastate and interstate video relay service (VRS), Internet protocol (IP), and IP captioned telephone service (IP CTS). The Administrator reimburses providers at

² *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123, Report and Order and Declaratory Ruling, , 22 FCC Rcd 20140 (2007) (*Cost Recovery Order*)

³ Eligible providers are defined as (1) TRS facilities operated under contract with and/or by certified state TRS programs pursuant to section 64.605; or (2) TRS facilities owned by or operated under contract with a common carrier providing interstate services pursuant to section 64.604; (3) interstate common carriers offering TRS pursuant to section 64.604; or (4) direct certification by the FCC for IP and VRS providers. See 47 C.F.R. § 64.604 (c)(5)(iii)(F) and 47 C.F.R. § 64.605 .

⁴ 47 C.F.R. 64.601(14) Definition of Telecommunications Relay Services.

compensation rates computed by the Administrator in accordance with Commission rules, and approved or modified by the Commission. In 2007 the Commission's Cost Recovery Order adopted new methodologies for establishing the reimbursement rates for the various relay services.

The Commission's shared funding mechanism for the TRS Fund ensures that the costs of meeting relay service obligations are borne equitably. The TRS Fund requires all interstate telecommunications common carriers to contribute to it on the basis of their relative share of interstate end user revenues.⁵ In June 2007 the Commission extended TRS contribution requirements to interconnected Voice over Internet Protocol (VoIP) providers.⁶

The TRS funding period commences on July 1 and ends June 30 of the following calendar year. For the July 2008 to June 2009 fund year, the Administrator will use the carriers' 2007 interstate and international end user revenues⁷ as the basis for calculating

⁵ *1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms*, CC Docket No. 98-171, Report and Order, 14 FCC Rcd 16602 (1999). These contributions are made by carriers offering interstate services including, but not limited to, cellular telephone and paging; mobile radio; operator services; personal communications service (PCS); access (including subscriber line charges); alternative access and special access; packet-switched; WATS; 800; 900; message telephone service; private line; telex; telegraph; video; satellite; intraLATA; international and resale services. See 47 C.F.R. § 64.604 (c)(5)(iii)(A).

⁶ *IP-Enabled Services*, WC Docket No. 04-36; *Implementation of Sections 255 and 251(a)(2), Access to Telecommunications Service, Telecommunications Equipment and Customer Premises Equipment by Persons with Disabilities*, WT Docket No. 96-198; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123; *Use of N11 and Other Abbreviated Dialing Arrangements*, CC Docket No. 92-105; Report and Order, 22 FCC Rcd 11275 (2007) (VoIP TRS Order). The section 64.601 rule amendment extending TRS contribution requirements to interconnected VoIP providers became effective October 5, 2007.

⁷ Revenues are reported on the Telecommunications Reporting Worksheet, FCC Form 499-A, on April 1, 2008, and provided to the Administrator by the Universal Service Administrative Company (USAC), the Revenue Data Collection Agent.

carriers' contributions. Carriers' 2007 revenues were \$79.6 billion, approximately \$2.8 billion higher than reported for 2006.

Upon approval of the contribution factor by the Commission, the Administrator will begin billing carriers and disbursing funds to relay service providers for the 2008 – 2009 funding period in July 2008. Annual contributions are due July 26th. Carriers whose contributions are \$1,200 or more may opt to pay in twelve equal monthly installments, due on the 26th of each month. Approximately 6,100 carriers will be billed during the 2008 – 2009 funding period, of which about 45 percent will be eligible to pay on a monthly basis.

Providers are paid by the end of the month following the month when the minutes were handled. For example, minutes handled by providers in July 2008 are reported in August 2008, and providers will then receive compensation for those minutes at the end of August.⁸

III. TRS Formula Development

A. MARS

The Cost Recovery Order adopted the Multi-state Average Rate Structure (MARS) plan as the basis for calculating the compensation rate for interstate traditional TRS, interstate Speech-to-Speech (STS), interstate captioned telephone service (CTS) and interstate and intrastate Internet Protocol (IP) captioned telephone service (IP CTS).⁹ The Administrator will calculate one MARS rate for interstate TRS and STS based on the weighted average of state rates for TRS and STS and a separate MARS rate for interstate

⁸ See Exhibit 5 Reporting and Disbursement Schedule.

⁹ *Cost Recovery Order* at ¶ 16.

CTS and intrastate and interstate IP CTS based on the weighted average of state rates for CTS.¹⁰ These rates are proposed to be effective for one year, i.e., the 2008 – 2009 funding period, commencing with July 2008 minutes.

The Commission identified the steps for the Administrator to use to determine MARS-based compensation rates.¹¹ The Administrator must first collect intrastate traditional TRS, STS, and CTS compensation rate data for the prior calendar year. Accordingly, the Administrator requested the following information from each state TRS administrator and each provider of interstate traditional TRS, STS and CTS for calendar year 2007:¹²

- a. the per-minute compensation rate for intrastate TRS and STS
- b. the per-minute compensation rate for intrastate CTS
- c. whether the rate applies to session or conversation minutes
- d. the number of intrastate session minutes for TRS and STS
- e. the number of intrastate session minutes for CTS
- f. the number of intrastate conversation minutes for TRS and STS
- g. the number of intrastate conversation minutes for CTS
- h. any amounts paid by the state to the provider for relay service during the previous calendar year that are not included in the contractual per-minute compensation rate

The Administrator must then determine whether there are anomalies in any state's data that will necessitate it being excluded from the MARS calculation,¹³ calculate each state's total dollars paid for the year for intrastate traditional TRS, STS, and CTS services, and calculate the final rate by dividing the total dollars paid by all states by the total conversation minutes of all states for TRS and STS and separately for CTS.

¹⁰ *Id.*

¹¹ *Id.* at ¶ 27.

¹² The Data Collection Form is included at Appendix A.

¹³ For example, if a state were to pay its TRS provider a flat fee for provision of service, it may not have sufficient data to complete the data request and thus would be excluded from the MARS computation.

1. Traditional TRS and STS Formula Development

From the data collected and follow up discussions with the state contacts, the Administrator found, as the Commission indicated in the Cost Recovery Order,¹⁴ that Michigan continues to pay its relay service provider on a flat rate instead of per minute basis and thus does not have data that can be used for MARS calculation purposes. Data for Maine was only partially included, because for a portion of 2007 they compensated their relay provider with a flat rate mechanism as well. The Administrator also found that, while California uses a competitive bidding mechanism to set its provider compensation rates for state relay services, the providers bid to be compensated at a percentage of the interstate compensation rate for the service rather than bidding based on cost to provide the service. Thus, the Administrator has excluded the data for California as well. For the remaining jurisdictions, 47 states and Puerto Rico, the Administrator multiplied each jurisdiction's TRS and STS rate by either the number of intrastate session minutes or intrastate conversation minutes, whichever the jurisdiction's rate is based upon.¹⁵ This was done for each jurisdiction and the resulting dollar amounts summed to produce a total dollar amount for each service. If additional amounts paid by the states to the relay service provider(s) during the applicable period were not included in the contractual per-minute compensation rate but were applicable to the provision of relay service, the additional amounts were included in determining the total cost of the service in the final computation.¹⁶ The resulting total dollar amount was divided by the total

¹⁴ *Cost Recovery Order* at ¶ 58.

¹⁵ *Id.* at ¶ 30.

¹⁶ *Id.* at ¶ 31.

number of intrastate TRS and STS conversation minutes.¹⁷ The results of this calculation can be found in Exhibit 1-1. Appendix C also summarizes the data provided by the individual state jurisdictions.

The total dollar amount paid out for intrastate TRS and STS during calendar year 2007, including the amounts paid to relay providers not included in the compensation rate, totaled \$68,431,476. The total conversation minutes for intrastate TRS and STS for calendar year 2007 totaled 42,935,544. The proposed compensation rate is developed by dividing the total dollar amount (\$68,431,476) by the total conversation minutes (42,935,544), resulting in a proposed rate of \$1.5938/conversation minute for interstate traditional TRS and interstate STS for the 2008 – 2009 funding period. The proposed rate represents a slight increase of approximately 1/10th of one percent over the 2007 – 2008 rate of \$1.592.

In the Cost Recovery Order, the Commission added an additional amount of \$1.131 to the interstate STS compensation rate to be used by the providers for outreach efforts.¹⁸ This per minute amount represented the difference between the STS MARS rate and the STS rate based on 2006 actual costs, adjusted for inflation (\$2.723), as reflected in the Administrator's May 2007 filing.¹⁹ The Commission further indicated that it would revisit this issue in the future. The Administrator proposes that because the proposed 2008-2009 MARS-based rate is virtually the same as the 2007-2008 rate and because there has not been enough time since the Cost Recovery Order to fully assess the

¹⁷ *Id.* at ¶ 31.

¹⁸ *Id.* at ¶ 57.

¹⁹ *Interstate Telecommunications Relay Service Fund, Payment Formula and Fund Size Estimate*, CG Docket No. 03-123 (May 1, 2007) (2007 Administrator Filing).

impact of the outreach effort, the outreach additive should remain at \$1.131.²⁰ Adding the \$1.131 to the MARS based STS rate results in a proposed STS rate of \$2.7248, an increase of \$0.0018 from the 2007 – 2008 rate of \$2.723.

2. CTS Formula Development

The proposed MARS CTS rate was calculated by following the same steps described above but substituting CTS related data for the TRS and STS data. The same exclusions for Michigan and California, described previously, were applicable to CTS. The results of this calculation can be found in Exhibit 1-2. Appendix D summarizes the data provided by the individual state jurisdictions. The MARS CTS rate will also be used to compensate providers for IP CTS.²¹

The total dollars for intrastate CTS, including the amounts paid to relay providers not included in the compensation rate, totaled \$24,051,751 for calendar year 2007. The total conversation minutes for intrastate CTS totaled 14,516,188 for calendar year 2007. \$24,051,751 divided by 14,516,188 equals a proposed compensation rate of \$1.6569/conversation minute for interstate CTS and interstate and intrastate IP CTS for the 2008 – 2009 funding period.

The proposed MARS CTS rate of \$1.6569 represents a modest \$0.0279 increase from the 2007 – 2008 rate of \$1.629 or approximately 1.7%.

²⁰ Based on projected demand for the 2008-2009 funding year, this will provide approximately \$172,000 for STS outreach.

²¹ *Cost Recovery Order* at ¶ 38.

B. Price Cap

1. Internet Protocol Relay

In the Cost Recovery Order, the Commission adopted a new cost recovery methodology for Internet Protocol (IP) Relay based on price caps for a three year period beginning with the effective date of the Cost Recover Order.²² The price cap methodology applies three factors to a base rate – an Inflation Factor, an Efficiency (or “X”) Factor, and Exogenous Costs. The basic formula takes a base rate and multiplies it by a factor that reflects an increase due to inflation, offset by a decrease due to efficiencies. The Commission determined that the Inflation Factor will be the Gross Domestic Product – Price Index (GDP-PI) and that the Efficiency Factor will be set as a figure equal to the Inflation Factor, less 0.5 percent (or 0.005) to account for productivity gains.²³ As a result the rate for a particular year will equal the rate for the previous year, reduced by 0.5 percent. The base rate of \$1.293 applies to the 2007 – 2008 funding year. None of the providers indicated to the Administrator that they had exogenous costs that would warrant inclusion in the rate for the 2008 – 2009 funding year. Thus application of the price cap methodology to the base rate of \$1.293 results in a 0.5% reduction to account for productivity gains. The proposed compensation rate for interstate and intrastate IP Relay for the 2008 – 2009 funding period is \$1.2865 as displayed in Exhibit 1-3.

²² *Id.* at ¶ 109.

²³ *Id.* at ¶ 43.

C. Cost Basis

1. Video Relay Service

The Cost Recovery Order concluded that the VRS rate would continue to be based on the providers' projected costs and minutes of use, and other data submitted to the Administrator by the providers.²⁴ However, the Cost Recovery Order made two modifications to the VRS compensation rate methodology. First, it established a tiered rate structure for compensation based on monthly minutes of use. In addition, it set base compensation rates for three tiers²⁵ to be in effect for a three year period and reduced annually by 0.5 percent to reflect productivity gains.

The base rates set by the Commission applied to the 2007 – 2008 funding year. For the 2008 - 2009 funding year, the Cost Recovery Order requires the Administrator to reduce the base rates by 0.5 percent and permits the providers to seek exogenous cost adjustments if new costs are imposed that are beyond the providers' control.²⁶ None of the VRS providers submitted a request that exogenous costs be included in the calculation of the 2008 – 2009 compensation rates. The 2007-2008 base rates and the

²⁴ *Id.* at ¶ 47.

²⁵ *Id.* at ¶ 53.

²⁶ The *Cost Recovery Order* requires providers of IP and VRS to submit actual and projected cost and demand data to the Administrator. The *Cost Recovery Order* further stated that this information, which includes actual costs for prior years, will be helpful in reviewing the reasonableness of rates adopted for each tier, and whether they reasonably correlate with projected costs and prior actual costs. This information will also be utilized to evaluate rates every three years.

proposed compensation rates for VRS for the 2008 – 2009 funding period are displayed in the table below.²⁷ The calculations are displayed in Exhibit 1-4.

VRS	MOU	2007-2008 Rates	2008-2009 Proposed Rates
Tier 1	<50,000	\$ 6.77	\$ 6.7362
Tier 2	50,001 to 500,000	\$ 6.50	\$ 6.4675
Tier 3	>500,000	\$6.30	\$6.2685

IV. Demand Projection Methodology

In order to estimate the annual funding requirement and propose a contribution factor, an estimate of the interstate funding requirement for each of the services is required. However, providers of services being compensated using the MARS-based rate methodology, (i.e. traditional TRS, STS and CTS), are no longer required to submit demand projections.

As was done in the Administrator's November 30, 2007 supplemental filing for the 2007-2008 funding year,²⁸ actual historical demand was used to estimate the demand for traditional interstate TRS, STS and CTS. Using the linear trend forecast capability of Microsoft Office Excel²⁹, the Administrator projected demand for the 2008 – 2009 fund year using data for the eight months of actual data available to the administrator at the time the filing is due to the Commission.³⁰ To test the validity of the forecast, the

²⁷ The actual weighted average cost per minute reported by the providers for calendar year 2007 is \$4.00 and the median actual cost reported is \$6.54 per minute.

²⁸ *Interstate Telecommunications Relay Service Fund, Supplement to Annual Filing for TRS Contribution Factor Increase*, CG Docket No. 03-123 (Nov. 30th Filing)

²⁹ *Id* at Appendix 1.

³⁰ July 2007 through February 2008 minutes.

Administrator shared the projected demand for the 2008 – 2009 funding year with the TRS providers seeking their feedback on the projections. To the extent that providers' business plans warranted modification to the projections the information was incorporated into the demand forecast. For each of these services, the Administrator projected demand and an estimated funding requirement based on the proposed compensation rates for the funding year.

The Administrator used the same trend methodology to test the validity of the forecasts submitted by the providers for IP and VRS services. The total minutes reported by the providers of these services are comparable to the results of the Administrator's trends. As a result, the Administrator used the providers' minute forecasts for IP and VRS minutes of use for the 2008 – 2009 funding year and the tiered reimbursement rates to calculate the funding requirements for these services.

V. Contribution Factor Calculation

In addition to the funding requirements for the five relay services, administrative expenses of approximately \$1 million, including the Interstate TRS Fund Advisory Council (Advisory Council) meeting costs and the cost of an annual audit by an independent auditor, have been included in the projected total TRS Fund requirement. Interest on invested funds for the July 2008 – June 2009 period is projected to be approximately \$1.5 million.

Historically, the Administrator has recommended that the TRS Fund include an additional component to protect the Interstate TRS program from running short of available funds before the end of the TRS Fund period. As a result of the Commission's

positive action in increasing the contribution factor for the current fund year, it is anticipated that there will be a surplus of approximately \$43 million, after June 2008 minutes are paid in July. The Administrator recommends for the 2008- 2009 and future funding years that a surplus of one month's projected distributions to providers be included in the funding requirement.³¹ Because the current fund year is projecting a surplus, the Administrator proposes supplementing this amount by an amount necessary to attain a one-month surplus.³²

The total projected funding requirement for the 2008-2009 funding year is \$805.5 million, as displayed in Exhibit 2.

Based on the 2008-2009 demand projections and the proposed rates contained herein coupled with the calendar year 2007 revenue base, the Administrator estimates that the contribution factor will need to be 0.01012.

VI. Program Administration

A. Interstate TRS Fund Advisory Council Report

Pursuant to section 64.604 of the Commission's rules, the Advisory Council advises the Administrator on interstate TRS cost recovery matters.³³ The Advisory

³¹ One month's average distribution equates to approximately 8.3% which is less than the 10% surplus approved in prior funding years.

³² For example, given an anticipated surplus of \$43 million after June 2008 minutes have been paid for the existing funding year and a projected average monthly distribution to providers of (annual/12), the additional funding requirement would represent the amount required to build the surplus up to equal one-month's distribution. The projected funding requirement for the providers for the 2008 – 2009 fund year is \$784 million. Thus, one twelfth of \$784 million provider payments equals \$65.3 million. Adjusting this amount for the anticipated surplus for the current funding year (\$43 million) would necessitate adding \$22.3 million to achieve the one month reserve.

³³ 47 C.F.R. § 64.604 (c)(5)(iii)(H).

Council includes non-paid volunteers from the hearing and speech disability community, TRS users (voice and text telephone), state regulators and relay administrators, interstate service providers, and TRS providers. Appendix E, contains a listing of current Advisory Council members.³⁴

On March 29, 2007, the Advisory Council met in Washington, DC, to review the proposed TRS, STS, IP and VRS reimbursement rates, potential fund size and carrier contribution factor for the July 2007 – June 2008 funding period prior to submission of the filing to the FCC on May 1, 2007. The Administrator presented the results of the annual TRS provider data collection and preliminary proposed compensation alternatives for each service to the Advisory Council.

The Advisory Council met in Washington, DC on October 2, 2007 at which time the Administrator presented the TRS Fund status and demand for interstate relay services. Particularly, Video Relay Service (VRS) had significantly outpaced the projections the administrator submitted in its annual filing for the July 2007 – June 2008 funding year and a discussion pursued on the solvency of the TRS Fund. Appendix F contains meeting minutes for the March 2007 and October 2007 Advisory Council meetings.

On March 27, 2008, the Advisory Council met in Washington, DC, to review the proposed reimbursement rates, potential fund size and carrier contribution factor for the July 2008 – June 2009 funding period prior to submission to the FCC on May 1, 2008.

³⁴ In a July 1999 Order, the FCC authorized the addition of a position in the hearing and speech disability community category for a representative from the speech disability community. *See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the Interstate TRS Advisory Council*, CC Docket No. 90-571, Memorandum Opinion and Order, 14 FCC Rcd 10553 (1999).

The Administrator presented preliminary proposed compensation rates for each service and demand projections to the Advisory Council.

B. Audit Report

Included in Appendix G is a copy of the financial statements of the TRS Fund for its fourteenth year of operation, together with reports from an independent certified accounting firm in accordance with sections 64.604(c)(5)(iii)(D) and (H) of the FCC's rules.³⁵ It is anticipated that the audit of the October 2007 – September 2008 fiscal period, will begin in October 2008 and the financial statements will be submitted to the Commission in late December 2008.

³⁵ 47 C.F.R. § 64.604 (c)(5)(iii)(D) and (H).

Exhibits

- 1-1 Displays sample data collected from states and interstate providers and the proposed MARS rate for interstate TRS and STS conversation minutes for the 2008 - 2009 funding period.
- 1-2 Displays sample data collected from states and interstate providers and the proposed MARS rate for interstate CTS conversation minutes for the 2008 - 2009 funding period.
- 1-3 Displays the proposed compensation rate for interstate and intrastate IP Relay Service conversation minutes for 2008 - 2009 funding period based on the price cap methodology.
- 1-4 Displays the proposed compensation rates for interstate and intrastate VRS conversations minutes for the 2008 – 2009 funding period for each tier.
- 2 Displays the projected fund size and contribution factor for 2008 - 2009 funding period.
- 3 Displays actual Fund performance and projections for the funding period 1993 through June 2009. Each annual period for funding includes twelve monthly increments. In 2000, the period changed from April through the following March to July through the following June. Separate pages, 3-1 through 3-6 display TRS, IP, STS, CTS and VRS fund requirements respectively
- 4 Displays projected month by month expenses to be incurred by the Administrator in performance of its required duties related to the TRS Fund during the 2008 – 2009 Fund year.
- 5 Displays the providers' schedule for reporting interstate TRS, interstate STS, interstate CTS and intrastate and interstate VRS and IP conversation minutes of use to the Administrator, and the schedule for disbursing associated payments for July 2008 through June 2009.

Traditional and STS Proposed MARS Rate Calculation

Exhibit 1-1

Sample Data from Certified State Programs and Providers

State	Per-Minute Intrastate Compensation Rate	Based on Session or Conversation Minutes	Total Intrastate Conversation Minutes	Total Intrastate Session Minutes	Total
A	\$ 1.26	CM	860,269.07	1,529,497.00	\$ 1,083,939.03
B	\$ 0.85	SM	141,312.42	189,595.98	\$ 161,156.58
C	\$ 0.93	SM	57,071.00	85,445.00	\$ 79,463.85
D	\$ 1.30	CM	926,051.13	1,466,050.19	\$ 1,199,236.21
Other costs not reflected in rate					\$ 100,000.00

Total **42,935,544** **\$ 68,431,476**

Proposed rate calculation: \$68,431,476 divided by 42,935,544 = **\$1.5938**

The data above (A through D) is provided as an example of the data collected from states and interstate providers. Each state's rate is multiplied by the number of either intrastate session or intrastate conversation minutes, whichever the state rate is based upon. The total amount for each state rate is totaled, including other costs not reflected in the rate. This number will become the numerator in the final calculation. The total dollar amount for all states (\$68,431,476) is divided by the total intrastate conversation minutes (42,935,544) for all states (even if some states do not base their rate on conversation minutes) to determine the MARS rate to be applied to interstate conversation minutes.

Captioned Telephone Service Proposed MARS Rate Calculation

Exhibit 1-2

Sample Data from Certified State Programs and Providers

State	Per-Minute Intrastate Compensation Rate	Based on Session or Conversation Minutes	Total Intrastate Conversation Minutes	Total Intrastate Session Minutes	Total
A	\$ 1.44	SM	45,215.00	52,594.00	\$ 75,735.36
B	\$ 1.65	CM	100,178.00	118,330.33	\$ 165,293.70
C	\$ 1.70	SM	32,050.53	36,509.04	\$ 62,065.37
D	\$ 1.45	CM	60,702.00	69,331.00	\$ 88,017.90
Other costs not reflected in rate					\$ 50,000.00

Total	14,516,188	\$ 24,051,751
--------------	-------------------	----------------------

Proposed rate calculation: \$24,051,751 divided by 14,516,188 = **\$1.6569**

The data above (A through D) is provided as an example of the data collected from states and interstate providers. Each state's rate is multiplied by the number of either intrastate session or intrastate conversation minutes, whichever the state rate is based upon. The total amount for each state rate is totaled, including other costs not reflected in the rate. This number will become the numerator in the final calculation. The total dollar amount for all states (\$24,051,751) is divided by the total intrastate conversation minutes (14,516,188) for all states (even if some states do not base their rate on conversation minutes) to determine the MARS rate to be applied to interstate conversation minutes.

**INTERNET PROTOCOL (IP)
2008 - 2009 FUND YEAR**

Exhibit 1-3

2007 - 2008		2008 - 2009	
IP Base Rate First Year		Rate	
\$1.293	x (1 - .005)		
\$1.293	x	0.995	= \$1.2865

**VIDEO RELAY SERVICE (VRS)
2008 - 2009 FUND YEAR**

Exhibit 1-4

VRS Monthly Minute Tiers	2007 - 2008 Base Rate First Year				2008 - 2009 Rate
First 50,000 monthly minutes	\$6.77	x	(1 - .005)		
	\$6.77	x	0.995	=	\$6.7362
Monthly minutes between 50,001 and 500,000	\$6.50	x	(1 - .005)		
	\$6.50	x	0.995	=	\$6.4675
Monthly minutes above 500,000	\$6.30	x	(1 - .005)		
	\$6.30	x	0.995	=	\$6.2685

Interstate TRS Fund
Projected Fund Size and Contribution Factor
2008 -2009 Fund Year

Exhibit 2

SERVICE	DEMAND	Proposed Rate	Methodology	FUNDING RQMT (1)
Traditional TRS	9,822,811	1.5938	MARS	\$ 15,655,595.37
Speech to Speech	152,282	2.7248	MARS + (2)	\$ 414,936.63
Caption Telephone	9,301,826	1.6569	MARS	\$ 15,412,194.67
IP Caption Telephone	247,200	1.6569	MARS	\$ 409,585.68
IP Relay	73,924,253	1.2865	Formula	\$ 95,103,551.48
Video Relay Service				
Tier 1	5,484,869	6.7362	Formula	\$ 36,947,174.56
Tier 2	26,394,528	6.4675	Formula	\$ 170,706,609.84
Tier 3	71,631,996	6.2685	Formula	\$ 449,025,166.93
<u>Total Funding Requirement</u>				<u>\$ 783,674,815.17</u>
Projected Provider Payments				\$ 783,674,815.17
Administrative Expenses				\$ 1,000,000.00
Interest Income				<u>\$ (1,500,000.00)</u>
				<u>\$ 783,174,815.17</u>
<u>Projected 2007-2008 Fund Balance</u>				
Proposed Adjustment				\$ 22,306,234.60
<u>Revised Funding Requirement</u>				\$ 805,481,049.76

	<u>Estimated(3)</u>
Funding Base	\$ 79,567,233,937
Contribution Factor	0.01012

Notes

- (1) Funding Requirement equals projected demand * rates adopted Cost Recovery Order
- (2) Reflects Outreach Additive to MARS Rate of \$1.131
- (3) Revenue base for the 2008 - 2009 funding year